

CSL Acquires U.S. Highway Carrier

MONTREAL—Canada Steamship Lines (CSL) has made an offer to purchase all outstanding shares of Strickland Transportation Co. Inc. of Dallas, Texas.

Strickland, the third-largest privately-owned highway carrier in the U.S., has a gross annual revenue in the range of \$45 million and employs 2,000 workers, according to the CSL announcement.

CONSOLIDATED BATHURST INVESTIT PLUS DE \$9 MILLIONS A SHAWINIGAN

SHAWINIGAN — Les directeurs de la compagnie ont donné le feu vert à l'achat de l'installation d'une nouvelle machine à papier dont le coût variera entre 9 et 12 millions de dollars et qui sera en opération au début de 1974, à la division Belgo, sine de Shawinigan. L'installation de cette machine à papier assurera localement 10 emplois permanents, sans oublier les effets secondaires mais bénéfiques que

Power Corp. Good 'Growth Stock'

MONTREAL — The ideal common stock for many investors offers a combination of high quality and marketability, good capital appreciation prospects and low downside risk.

Certain companies appear quite frequently on "growth stock" lists of investment advisors, and one of these is Power Corp., the Montreal-based holding company (Canada Steamship Lines, Ltd., Investors Group, Laurentide Finance, Imperial Life, Dominion Glass and other interests).

Such growth companies normally pay out only a small portion of their earnings in the form of dividends, and for this reason they are more attractive to investors.

Imperial Life's New Medical Inn Concept

TORONTO — The first Medical Inn of Canada, designed to reduce health care costs, was announced by Imperial Life recently.

A \$7.5 million project, the first Medical Inn will provide 154 rooms and suites for patients undergoing tests or treatment without requiring the full medical facilities of a general hospital.

The Inn will house 42 doctors' suites, three operating rooms, optical, dental, X-ray and general laboratories, physio-

Investors Group Buys Trust Firm Stock

WINNIPEG — The Investors Group has bought an additional 604,085 shares of the Montreal Trust Company on the open market, it was announced Wednesday. The transaction is consistent with In-

Définition du journal La Presse et de son orientation idéologique.

MONTREAL — LaPresse est essentiellement un grand journal d'information, respectueux des droits du lecteur d'être tenu au courant de plus grand nombre d'événements significatifs possible, et d'en connaître les facettes qui lui permettront de se former une opinion libre et éclairée. LaPresse se veut non seulement le témoin de l'agglomération Montréalaise, mais se propose d'offrir le plus large éventail possible d'information.

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Directors' Report

Your Directors are pleased to submit the Company's 48th Annual Report together with the consolidated financial statements for the year ended December 31, 1972.

The consolidated earnings for the year ended December 31, 1972 amounted to \$17,545,000 compared with \$9,839,000 (restated) for the prior year in each case before dividends on non-participating preferred shares. After payment of such dividends this is equal to \$1.20 per common and participating preferred share compared with 53 cents per share in 1971. Dividends of 30 cents per participating preferred share and 20 cents per common share were paid during the year.

The consolidated financial statements include the accounts of Power and its wholly-owned subsidiaries and Power's share of the earnings before extraordinary items of the subsidiary companies in which Power has more than 50% of the voting shares. The accounts for the year 1971 have been restated to reflect the consolidation of Canada Steamship Lines, Limited, as a result of the acquisition of the balance of its common shares in 1972.

The operating results for the year have been satisfactory. They were achieved through the cooperative efforts of the many officers and employees of our subsidiary companies and, in some instances, in spite of the labour disputes and strikes encountered by them and by certain of their major customers. In particular, the consolidated earnings were affected by problems encountered in the construction of three 80,000-ton ocean-going tankers being built for foreign customers. In consequence of the latter problems, our earnings from operations were reduced by \$7.1 million, which includes \$5.7 million for the estimated future excess cost to complete the contract.

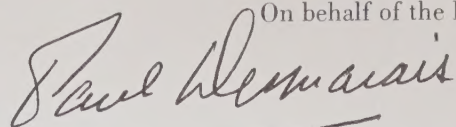
Power is engaged in a variety of activities and has diversified sources of income. In order that our shareholders may be more fully informed in these respects, this Annual Report has been expanded over those of prior years to include additional information concerning our subsidiary and affiliated companies. The comments concerning the underlying companies underscore the importance of these enterprises to the thousands of clients and customers whom they serve, as well as the responsibility the entire group owes to the many employees and their families who are so integrally involved. We trust this information will prove of value to our shareholders in assessing their investment in Power.

Enclosed with this Annual Report are copies of By-laws which shareholders are asked to sanction at the Special General Meeting which will be held prior to the Annual Meeting. These By-laws, which were enacted by the Directors on March 26, 1973, provide for an increase in the number of directors from 16 to 18 and for the establishment of new regulations relating to corporate administration, the executive committee, the borrowing powers of the directors and the indemnification of directors and officers, all in substitution for existing and, in the light of current management practices, less suitable By-laws relating to the same matters.

During the course of the year Messrs. Louis R. Desmarais, C.A., Honourable John P. Robarts, P.C., C.C., Q.C. and Claude Pratte, Q.C. joined our Board to fill vacancies created by the resignations of Messrs. Claude Hébert, Arthur Simard, Q.C. and Mr. W. G. E. Lannaman, C.A. (who had been appointed to fill a vacancy on an interim basis). We wish to express our gratitude to these former directors for their valued participation in the conduct of the affairs of the Company.

The Directors are pleased to acknowledge their appreciation of the services rendered by the Officers and Staff during the year.

On behalf of the Board



Chairman and Chief Executive Officer

March 30, 1973



Corporate Objective

Our corporate objective is to provide a fair return to our shareholders and to the outside shareholders of our subsidiary and affiliated companies and, in furtherance of this objective, to develop in each corporation management with the skill and expertise capable of creating strong Canadian enterprises within the free enterprise system.

Corporate Growth

Power was incorporated in 1925 and at the end of its first full year of operation on June 30, 1926, had a total shareholders' capital of \$5.5 million. This capital was invested in several electric utilities in Eastern, Midwestern and Western Canada.

By 1960 the invested capital had increased to \$50,400,000, of which \$41 million was shareholders' capital and \$9.4 million was long-term debt. During this period the Company had begun a diversification program and had interests not only in electric utilities, but also made its original investment in Laurentide Financial Corporation Ltd., Bathurst Power and Paper Company Limited (now Consolidated-Bathurst Limited) and miscellaneous portfolio investments.

By 1970 the invested capital had increased to \$295 million, of which \$274 million was shareholders' capital and \$21 million was long-term debt. During the period 1961-1970 a complete change in the investment mix had occurred whereby our interests in various electric utilities and miscellaneous portfolio investments were sold and replaced by control positions in several major segments of Canadian industry.

Our consolidated balance sheet as at 31st December 1972 now shows invested capital of \$351,129,000, of which shareholders' capital, including minority interests, is \$277,572,000 and \$73,557,000 is long-term debt. During the last two years the Company has continued further to consolidate its holdings and has encouraged its subsidiary companies to expand their spheres of operation.

Major Corporate Developments in 1972

The year 1972 was another active one in the further consolidation of our holdings.

The proceedings to acquire the small balance of outstanding common shares of Canada Steamship Lines, Limited were successfully completed and, as a result, the company is now 100% owned, except for that portion (less than 50%) of the preferred shares held by the public.

Our holdings of subsidiaries and certain other investments were transferred to subsidiaries of Canada Steamship Lines, Limited. This transaction enabled the Company to avail itself of the taxable income which is generated by subsidiaries of Canada Steamship Lines, Limited. As Canada Steamship Lines is a wholly-owned subsidiary company, this transaction does not affect the beneficial ownership of the securities transferred.

The disposal of the shares of Campeau Corporation Limited was completed, as planned, on receipt of the various approvals that were required. While the sale price of the shares was less than the book value at which they were recorded in our financial statements, it should be noted that the value of the convertible promissory note of Campeau, which we retained, has more than doubled based on the current market value of Campeau common shares.

The Investors Group increased its holdings of shares of Montreal Trust Company and, together with the acquisition of additional shares subsequent to 31st December 1972, now owns approximately 51% of such outstanding shares.

Financial Highlights

For the year ended December 31

	1972	1971 <i>restated</i>
Gross Revenue	\$170,002,000	\$143,181,000
Consolidated Earnings	\$ 17,545,000	\$ 9,839,000
Dividends on non-participating preferred shares	\$ 3,827,000	\$ 3,828,000
Consolidated Net Earnings available for 6% participating preferred and common shares . .	\$ 13,718,000	\$ 6,011,000
Depreciation	\$ 12,442,000	\$ 11,695,000
Cash Flow from operations	\$ 19,159,000	\$ 21,691,000
Earnings per 6% participating preferred and common share — primary	\$ 1.20	53¢
Earnings per 6% participating preferred and common share — diluted	\$ 1.02	N/A
Dividends per 6% participating preferred share	30¢	30¢
Dividends per common share	20¢	5¢

As at December 31

Working Capital	\$ 16,617,000	\$ 7,028,000
Investments	\$246,699,000	\$271,574,000
Fixed Assets — Net	\$125,036,000	\$112,685,000
Long-Term Debt	\$ 73,557,000	\$ 83,666,000

Consolidated Balance Sheet

as at December 31

Assets	1972	1971 <i>restated</i>
CURRENT ASSETS		
Cash	\$ 5,177,000	\$ 2,100,000
Short-term notes and Government of Canada bonds — at cost, which approximates market value	20,799,000	35,853,000
Short-term notes — unconsolidated subsidiaries	3,988,000	
Accounts receivable	18,783,000	20,233,000
Income taxes recoverable	1,845,000	
Inventories of stores and supplies at the lower of cost or replacement cost and shipyard work in progress at cost less \$5,671,000 provision for loss on uncompleted contract	72,698,000	60,975,000
Prepaid expenses	751,000	910,000
	<u>124,041,000</u>	<u>120,071,000</u>
Deduct: progress payments and billings on uncompleted shipyard work	73,086,000	59,747,000
Total current assets	<u>50,955,000</u>	<u>60,324,000</u>
INVESTMENTS		
Unconsolidated subsidiary companies (<i>note 1</i>)	114,449,000	147,781,000
Quoted securities — at cost (<i>note 2</i>)	94,892,000	85,479,000
Unquoted securities — at cost (<i>note 3</i>)	36,747,000	37,509,000
Advances to trustees of share purchase plan	611,000	805,000
	<u>246,699,000</u>	<u>271,574,000</u>
FIXED ASSETS — AT COST (<i>note 4</i>)	261,544,000	240,543,000
Less: accumulated depreciation	<u>136,508,000</u>	<u>127,858,000</u>
	<u>125,036,000</u>	<u>112,685,000</u>
	<u><u>\$422,690,000</u></u>	<u><u>\$444,583,000</u></u>

On behalf of the Board

PAUL DESMARAIS JEAN PARISIEN

Liabilities	1972	1971 <i>restated</i>
CURRENT LIABILITIES		
Bank loan — Secured	\$ 2,000,000	\$ 15,700,000
Accounts payable and accrued charges	21,944,000	23,786,000
Income taxes payable	1,355,000	2,374,000
Current portion of long-term debt	9,039,000	11,436,000
Total current liabilities	34,338,000	53,296,000
 LONG-TERM DEBT (note 5)	 73,557,000	 83,666,000
 DEFERRED INCOME TAXES	 34,677,000	 34,649,000
 PROVISIONS		
Insurance losses, repairs and claims	1,711,000	1,589,000
Deferred compensation	835,000	1,052,000
	2,546,000	2,641,000
 PREFERRED SHARES OF CONSOLIDATED SUBSIDIARIES	 8,870,000	 8,870,000
 SHAREHOLDERS' EQUITY		
Capital stock — preferred (note 6)	83,919,000	84,047,000
Capital stock — common (note 6)	56,393,000	56,257,000
 Retained earnings	 128,390,000	 121,157,000
Total shareholders' equity	268,702,000	261,461,000
	<u>\$422,690,000</u>	<u>\$444,583,000</u>

Notes to consolidated financial statements are an integral part of this statement

Statement of Consolidated Earnings

for the Year ended December 31

	1972	1971 <i>restated</i>
Gross revenue from operations (note 4)	\$170,002,000	\$143,181,000
Earnings from operations	\$ 24,833,000	\$ 27,851,000
Income from investments	3,545,000	3,019,000
	<u>28,378,000</u>	<u>30,870,000</u>
Interest on long-term debt	\$ 6,862,000	\$ 2,183,000
Provision for depreciation	<u>12,442,000</u>	<u>11,695,000</u>
	19,304,000	13,878,000
	9,074,000	16,992,000
Provision for income tax (note 8)	589,000	8,379,000
	<u>8,485,000</u>	<u>8,613,000</u>
Share of earnings of unconsolidated subsidiaries and affiliated company	9,514,000	6,639,000
	<u>17,999,000</u>	<u>15,252,000</u>
Minority interest in earnings of Canada Steamship Lines, Limited	—	4,959,000
Preferred dividends of consolidated subsidiaries	<u>454,000</u>	<u>454,000</u>
	454,000	5,413,000
Consolidated earnings	17,545,000	9,839,000
Non-participating preferred dividends (note 6)	3,827,000	3,828,000
Consolidated Net Earnings available for 6% participating preferred and common shareholders	<u>\$ 13,718,000</u>	<u>\$ 6,011,000</u>
Earnings per 6% participating preferred and common share		
Primary	\$1.20	53¢
Diluted	\$1.02	N/A

Statement of Consolidated Retained Earnings

for the Year ended December 31

	1972	1971 <i>restated</i>
Retained earnings beginning of year	\$121,157,000	\$134,173,000
Add:		
Consolidated net earnings	13,718,000	6,011,000
Increase in equity in subsidiary company in respect of prior years	345,000	520,000
Increase (decrease) in equity in subsidiary companies arising from changes in retained earnings	520,000	(836,000)
	<u>135,740,000</u>	<u>139,868,000</u>
Deduct:		
Dividends		
participating preferred shares	364,000	364,000
common shares	2,038,000	508,000
Net loss (gain) on disposal of investments	4,454,000	(2,035,000)
Miscellaneous debits	494,000	113,000
Excess of cost of shares of wholly-owned consolidated subsidiary acquired over their book value at dates of acquisition		19,761,000
	<u>7,350,000</u>	<u>18,711,000</u>
Retained earnings end of year	<u>\$128,390,000</u>	<u>\$121,157,000</u>

Notes to consolidated financial statements are an integral part of these statements

Statement of Source and Use of Funds

for the Year ended December 31

	1972	1971 <i>restated</i>
SOURCE OF FUNDS		
From operations		
Consolidated net earnings	\$13,718,000	\$ 6,011,000
Depreciation	12,442,000	11,695,000
Deferred income tax	222,000	2,975,000
Minority interest in earnings of Canada Steamship Lines, Limited		4,959,000
Earnings not received in cash	(7,223,000)	(3,949,000)
	<u>19,159,000</u>	<u>21,691,000</u>
Proceeds from issue of common shares of Canada Steamship Lines, Limited		1,061,000
Proceeds from disposal of fixed assets	1,793,000	1,983,000
Proceeds from disposal of securities	32,085,000	10,594,000
Proceeds from issue of common shares	115,000	
Issue of long-term debt (net)		54,645,000
	<u>53,152,000</u>	<u>89,974,000</u>
USE OF FUNDS		
Additions to fixed assets	25,472,000	17,029,000
Reduction of long-term debt (net)	10,109,000	
Dividends — common	2,038,000	508,000
— participating preferred	364,000	364,000
— common (to minority interests)		1,943,000
Cost of securities purchased	3,885,000	60,490,000
Cost of 4¾% preferred shares acquired for cancellation	69,000	
Miscellaneous debits (credits)	1,626,000	(96,000)
	<u>43,563,000</u>	<u>80,238,000</u>
INCREASE IN WORKING CAPITAL	<u>\$ 9,589,000</u>	<u>\$ 9,736,000</u>

Notes to Consolidated Financial Statements

Note 1. Principles of Consolidation and Presentation

The consolidated financial statements comprise the accounts of Power Corporation of Canada, Limited and its wholly-owned subsidiaries and its share of the earnings and other changes in the retained earnings accounts of other subsidiary companies for the period of control by the Company.

For purposes of comparison the 1971 figures have been restated to reflect the consolidation of the accounts of Canada Steamship Lines, Limited.

The investment in unconsolidated subsidiary companies is made up as follows:

	Thousands					
	Cost	Share of Equity since Acquisition	Value as per Balance Sheet	Share of Equity as at Dec. 31, 1972	Voting Interest	Equity Interest
Dominion Glass Company Limited	\$ 21,364	\$ 3,825	\$ 25,189	\$21,980	56.7%	63.0%
Laurentide Financial Corporation Ltd.	19,451	5,805	25,256	18,788	52.4%	52.4%
The Imperial Life Assurance Company of Canada	17,424	1,919	19,343	7,015	51.2%	51.2%
The Investors Group	40,668	2,127	42,795	25,030	50.2%	27.9%
Miscellaneous	1,279	587	1,866	1,866		
	<u>\$100,186</u>	<u>\$14,263</u>	<u>\$114,449</u>	<u>\$74,679</u>		

Note 2. Quoted Securities

	Class	% of outstanding	Thousands	
			Cost	Market Value
Argus Corporation Limited	common	10.4%	\$ 3,634	\$ 3,159
Consolidated-Bathurst Limited	common	36.4%	79,402	36,928
	preferred	14.3%	4,507	5,126
	debenture		990	930
Campeau Corporation Limited (convertible into 1,413,190 common shares)	note		6,359	12,189
			<u>\$94,892</u>	<u>\$58,332</u>

Note 3. Unquoted Securities

	Thousands	
	1972	1971
Gesca Ltée (an affiliate)		
Income Debenture maturing December 1, 2020, at cost and accrued income	\$ 21,376	\$ 19,755
Télémedia (Québec) Limitée		
6% general mortgage bonds due December 31, 1976-1981 at cost and accrued interest	8,120	7,685
Non-interest bearing debentures received for franchises, motor coaches and equipment		
sold in prior years	4,742	6,604
Miscellaneous mortgages, investments and advances	2,509	3,465
	<u>\$ 36,747</u>	<u>\$ 37,509</u>

Note 4. Fixed Assets and Gross Revenue

Major classifications by industry of fixed assets and gross revenue are as follows:

	Thousands				
	Fixed Assets			Gross Revenue	
	Cost	Net Book Value		1972	1971
	1972	1972	1971	1972	1971
Water transportation	\$160,960	\$ 82,853	\$ 73,476	\$ 46,243	\$ 46,352
Shipbuilding	28,832	11,237	9,495	43,082	22,023
Land transportation	61,094	27,590	26,845	74,334	69,440
Other	10,658	3,356	2,869	6,343	5,366
	<u>\$261,544</u>	<u>\$125,036</u>	<u>\$112,685</u>	<u>\$170,002</u>	<u>\$143,181</u>

Vessels are depreciated on a straight-line basis on estimated useful lives of from 20 to 25 years. Land transportation revenue equipment is depreciated on estimated useful life of from 5 to 10 years. The majority of the remaining assets are depreciated at the maximum rates permitted for income tax purposes.

Note 5. Long-Term Debt

	<i>Thousands</i>	
	1972	1971
Parent company		
5½% debentures maturing March 1, 1977	\$ 4,309	\$ 4,446
Term Bank Loan*		60,000
Wholly-owned consolidated subsidiaries		
Secured income debentures, 5½% maturing February 27, 1973	1,000	4,000
Secured term bank loans, repayable \$5,000,000 per annum, commencing December 1, 1973 and \$20,000,000 on December 1, 1979 bearing interest at the prime rate plus 1¼%	50,000	
Equipment trust certificates, at various rates from 6¼% to 10% maturing March 1, 1973 to May 1, 1982	8,940	7,310
7% first mortgage sinking fund bonds maturing November 15, 1975	1,722	1,849
7% sinking fund debentures maturing April 1, 1976	1,155	1,230
Note at prime rate plus 1% due November 1, 1978	2,650	3,100
6½% sinking fund debentures maturing December 15, 1979	3,321	3,324
6½% redeemable secured debentures, with sinking fund, maturing June 1, 1980	8,760	9,060
Government loans for construction of fixed assets repayable in four annual instalments to 1976	378	383
Secured 5% note payable by instalments related to profits of a subsidiary company	361	400
	<u>82,596</u>	<u>95,102</u>
Deduct: instalments due within one year	9,039	11,436
	<u>\$73,557</u>	<u>\$83,666</u>

*The term bank loan was assumed by wholly-owned consolidated subsidiaries in 1972 in part payment of certain investments sold to such subsidiaries.

Instalments due on long-term debt over the next five years are as follows:

1974 — \$7,712,000; 1975 — \$8,684,000; 1976 — \$7,737,000; 1977 — \$11,329,000; 1978 — \$6,700,000.

Note 6. Capital Stock

	1972	1971
First preferred shares of \$50 par value issuable in series		
Authorized — 1,964,560 shares		
Issued — 564,560 shares 4¾% cumulative redeemable 1965 series (i)	\$ 28,228,000	\$ 28,335,000
Second preferred shares of \$12 par value issuable in series		
Authorized — 10,000,000 shares		
Issued — 4,135,060 shares 5% cumulative redeemable convertible series "A" (ii)	49,621,000	49,642,000
Six per cent non-cumulative participating preferred shares of \$5 par value		
Authorized — 1,592,760 shares		
Issued — 1,214,100 shares (iii)	6,070,000	6,070,000
	<u>\$ 83,919,000</u>	<u>\$ 84,047,000</u>
Common shares of no par value		
Authorized — 30,000,000 shares		
Issued — 10,202,773 shares (iv)	<u>\$ 56,393,000</u>	<u>\$ 56,257,000</u>

Notes to Consolidated Financial Statements

- (i) redeemable on or before July 15, 1973, at \$51.625; thereafter on or before July 15, 1977, at \$51.00; thereafter at \$50.50 and in each case plus accrued and unpaid dividends. 2,150 shares were redeemed and cancelled during the year.
- (ii) redeemable after May 31, 1973, at \$12 plus accrued and unpaid dividends; convertible on or before May 31, 1978. During the year 1,720 shares were converted into common shares.
- (iii) 1,134,990 of the issued participating preferred shares have non-detachable warrants attached entitling the holder to subscribe for one additional participating preferred share in respect of each three such shares presently held at a subscription price of \$12.50 per share up to May 31, 1973, and \$15 per share from that date up to May 31, 1978.
378,330 participating preferred shares are reserved for the exercise of the non-detachable warrants attached to the participating preferred shares.
- (iv) 25,000 common shares were issued under the terms of the stock option plan (*see note 7*).
- (v) Dividends paid on non-participating preferred shares were as follows:

	1972	1971
4¾% first preferred shares 1965 series	\$ 1,345,000	\$ 1,346,000
5% second preferred shares series "A"	2,482,000	2,482,000
	<u>\$ 3,827,000</u>	<u>\$ 3,828,000</u>

Note 7. Share Option and Stock Purchase Plans

The following common shares were under option to certain employees, officers and certain directors of the Company and a wholly-owned subsidiary.

	Shares Under Option	Option Price	Exercised During Year	Options Outstanding	Year of Grant	Expiry Date
Directors and Officers	190,000	\$ 4.62	24,000	166,000	1971	1981
	40,000	11.47		40,000	1972	1982
Employees	10,000	4.62	1,000	9,000	1971	1981
	57,500	11.47		57,500	1972	1982
	<u>297,500</u>		<u>25,000</u>	<u>272,500</u>		

On March 20, 1967, the Company created a Stock Purchase Plan for the benefit of designated officers and employees. Such officers and employees purchased at that time 71,000 common shares at \$10 per share which the Trustees of the Plan purchased with funds provided by the Company.

Note 8. Income Taxes

The income tax provision reflects the recovery of income taxes paid in 1971 by certain subsidiaries by reason of application of 1972 losses of those companies. Earnings of certain of the Company's foreign subsidiaries are not subject to income taxes and the taxable incomes of certain Canadian subsidiaries are reduced by capital cost allowances related to vessels purchased from their parent company, the proceeds of which are not subject to recapture under the provisions of the Income Tax Act, if used for the construction or conversion of vessels in Canada. New vessels constructed are not then eligible for ship construction assistance subsidies.

Note 9. Commitments and Contingent Liabilities

A subsidiary company entered into an agreement on November 29, 1972 to purchase the shares of Strickland Transportation Company Inc. for U.S. \$14,000,000 and certain assets leased by Strickland Transportation Company Inc. for U.S. \$4,400,000. This agreement is subject to the required approval being received from the appropriate regulatory authorities within two years of the date of signing. \$1,525,000 par value of Government of Canada Bonds are pledged as security for performance by the company under this agreement.

In contemplation of the above share acquisition the company has purchased a forward exchange contract to protect its U.S. dollar obligation in Canadian dollar terms and has arranged with its bankers for term loan accommodation of \$10,000,000. The leased assets are financed under a 15 year term loan arranged in 1972 which can be assumed by the purchaser.

Possible claims of up to \$600,000 are currently under arbitration in accordance with the provisions of a construction contract.

The companies are committed to capital expenditures of \$15,300,000 in the year to December 31, 1973.

A letter of credit of \$5,000,000 is outstanding with respect to guarantees under contract for the construction of ships.

Note 10. Events Subsequent to December 31, 1972

On March 30, 1973 the Company entered into an agreement to sell the shares of Dominion Glass Company Limited, held by a wholly-owned subsidiary, to Consolidated-Bathurst Limited for a maximum price of \$21,749,504, of which \$17,671,472 is due on the closing date. The balance, which is not to exceed \$4,078,032, will be determined on the basis of a formula related to the earnings of Dominion Glass Company Limited for the fiscal years ending December 31, 1973 to 1976 and will be payable on or before June 30, 1977.

Note 11. Remuneration of Directors and Officers

The remuneration received by Directors and Officers during the year ended December 31, 1972 was as follows:

	<i>as Directors</i>		<i>as Officers</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
<i>from:</i>				
Power Corporation of Canada, Limited	22	\$55,175	10 *	\$400,213
<i>from subsidiaries:</i>				
Canada Steamship Lines, Limited	5	22,567	1	107,795
Dominion Glass Company Limited	5	16,900		
Laurentide Financial Corporation Ltd.	6	24,250		
Union Acceptance Corporation Limited	4	12,400		
Elite Insurance Company	3	1,200		
The Imperial Life Assurance Company of Canada	2	6,650	1	5,000
The Investors Group	4	8,719	1	50,000
The Great-West Life Assurance Company	2	22,150		

*4 Officers are also Directors of the Company

Auditors' Report

The Shareholders,
Power Corporation of Canada, Limited.

We have examined the consolidated balance sheet of Power Corporation of Canada, Limited and consolidated subsidiary companies as at December 31, 1972 and the statements of consolidated earnings, of consolidated retained earnings and of source and use of funds for the year then ended. For Power Corporation of Canada, Limited and those subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to those subsidiaries of which we are not the auditors, we have relied for purposes of these statements on the reports of the other auditors.

In our opinion, except that the gains and losses on disposals of investments have been included in the statement of consolidated retained earnings rather than the statement of consolidated earnings, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.

CHARTERED ACCOUNTANTS.

Montreal, Que. March 30, 1973.

Launching of ALGOWAY in June 1972 at Collingwood, Ontario.



Financial Highlights

	1972	1971	1970
Gross revenue	\$170,002,000	\$143,181,000	\$144,077,000
Net earnings after preferred dividends	13,286,000	10,317,000	8,177,000
Net earnings per common share	4.37	3.39	2.73
Dividends paid per common share	.30	1.30	1.30

The Company

Canada Steamship Lines, Limited, which has its head office in Montreal, Quebec, owns and operates a fleet of bulk freight and package freight vessels on the Great Lakes and the St. Lawrence River. The Company owns and operates grain elevators at Midland and Kingston, Ontario. Through wholly-owned subsidiaries the Company also owns shipbuilding and repair yards at Lauzon, Quebec and Collingwood and Thunder Bay, Ontario. In addition, it owns and operates Kingsway Transports Limited, a large national highway transport business; Provincial Transport Enterprises Ltd., which operates the extensive Voyageur interurban bus system in Quebec and Ontario, and a variety of other smaller enterprises.

Financial

The 1972 consolidated earnings were \$13,663,000 including \$5,469,000 for the Company's share of the earnings of unconsolidated subsidiaries and an affiliated company which were acquired from the parent company in June, 1972. To finance the acquisition of these companies, the Company borrowed \$50,000,000 through term bank loans and issued notes and a subordinated debenture to the parent company for \$74,650,000.

The gross revenue from operations of the Company and its wholly-owned subsidiaries was \$170,002,000, an increase of \$26,821,000 over 1971, which was largely related to the Shipbuilding Division. Revenues from water transportation were approximately the same, while land transportation increased approximately \$5 million.

The Water Transportation Division obtained increased tonnage and higher revenue from bulk shipments compared

to 1971, but the revenue increase was offset by a reduction in revenue of the Package Freight Division, as a result of a ten-week strike of freight handlers in the latter part of the year.

The Shipbuilding Division revenues reflect increased ship deliveries; however, the division incurred a loss due to a substantial cost overrun which is projected in connection with the contract to build three 80,000-ton ocean-going tankers. The operating results have been reduced by \$7.1 million, which includes \$5.7 million for estimated future excess cost to complete the contract.

The Land Transportation Division had a satisfactory year despite a loss of passenger volume due to a forty-day strike in the Quebec section of the Voyageur bus system.

During the latter part of the year the Company entered into an agreement to purchase all the outstanding shares of Strickland Transportation Company Inc. of Dallas, Texas for U.S. \$14 million. This company is a large U.S. highway carrier which serves major centers in the Northeast, Midwest and Southwest industrial areas of the U.S. The agreement to purchase this company is subject to approval by regulatory authorities.

Capital additions during the year include expenditures related to the completion of a self-unloader, the conversion of a bulk carrier to a self-unloader and a new self-unloader which is expected to be available for service in August 1973. In addition, a new tug is being built for our tug service in the Quebec harbour and a new Voyageur bus terminal was under construction in Ottawa.

The Kingsway Transports group of companies operates an extensive national route structure covering Canadian provinces from Quebec to British Columbia with principal U.S. connections at New York, Buffalo and Detroit. Service areas are as follows:

Kingsway Transports Limited	Quebec and Ontario
Kingsway Dalewood Limited	Central and Northwest Ontario
Kingsway Freightlines Limited	Ontario and Quebec to Western Canada
Laurentide Transport Inc.	Quebec
Drummond Transit Lines Limited	Quebec
Servall Transport Limited	Ontario

The group has expanded rapidly since its acquisition by Canada Steamship Lines, Limited in 1943. At present the system includes over 1,700 pieces of equipment which transport over 1,000,000 tons of cargo and travel over 34 million miles annually. Forty terminals are maintained and service is extended to every city in Canada having a population in excess of 100,000.



Provincial Transport Enterprises Ltd., is headquartered in Montreal, Quebec and through its subsidiaries operates the Voyageur bus system serving major interurban bus routes in Quebec, Northern New Brunswick and the important Montreal-Ottawa-Toronto triangle.

The development of new terminals and the acquisition of modern, comfortable equipment have combined with creative scheduling to attract a steady increase in passenger volume.

The Company has benefited not only from the greater interest now shown in bus travel but also from its fast reliable express parcel service which has met a growing need within points on the route system.

A Kingsway tractor trailer has a capacity 50,000 lbs.

An Inter-city Voyageur bus has a capacity 47 passengers.

The M.V. J. W. McGiffin has a capacity 35,000 D.W.T.



A few of the many different shapes and sizes of bottles manufactured by Dominion Glass.



Financial Highlights

	1972	1971	1970
Sales	\$ 93,016,000	\$ 73,523,000	\$ 76,861,000
Net income — before extraordinary items and after preferred dividends	1,813,000	(1,479,000)	2,572,000
Net income per common share	.84	(.68)	1.20
Dividends paid per common share		.40	.20

The Company

Dominion Glass Company Limited is a Canadian company with head office in Montreal. It is the largest supplier of glass containers, tumblers and tableware in Canada. The Company has six modern glass container plants located strategically in Montreal, Quebec; Bramalea, Hamilton and Wallaceburg, Ontario; Redcliff, Alberta; and Burnaby, B.C.. In addition, the Company has a plastics division in Etobicoke, Ontario and a subsidiary company, National Pressed Glass, in Brantford, Ontario, which supplies glass fuse plug bodies for home and industrial use as well as specialty glass products for both export and domestic markets.

Glass containers account for the major portion of Company sales. Container sales to the food industry, the Company's largest single market, increased during 1972 despite crop losses due to poor weather conditions in the early part of the summer. New opportunities are opening up in this area as fruit and vegetable juices and other food products packed in glass continue to take an increasing share of the market.

An increase in the adult population of about 12 per cent over the past two years has had a positive influence on the sales of beers, liquors and wines in Canada. The market for family size soft drink containers continues to make steady gains. The greater convenience of the twist-off

resealable closure on family size containers for soft drinks, and the lower price per ounce, are credited in large measure for boosting sales in this category.

Growth in the number of family and household formations is mainly responsible for continuing strong demand for the Company's tumblers and tableware. With further extension of product lines, coupled with aggressive promotion, the Company expects to continue making substantial gains in this market.

Financial

Consolidated sales in 1972 reached record levels at \$93,016,000. This increase of 26.5 per cent over strike-depressed sales of \$73,523,000 in 1971, and 21.0 per cent over 1970 sales was a return to the growth pattern established in previous years and indicated a successful recovery of market share.

After tax profits from operations were \$1,979,000 equivalent to 84 cents per common share compared to a net loss of \$1,313,000 or 68 cents per common share in 1971.

An extraordinary after tax profit of \$1,069,000 was realized on the sale of property in Toronto producing a total net income after tax in 1972 of \$3,048,000, equivalent to \$1.34 per common share after preferred dividends.

Laurentide provides financing assistance to a wide range of Canadians.



Financial Highlights

	1972	1971	1970
Gross income	\$ 46,828,000	\$ 44,294,000	\$ 42,125,000
Net earnings before extraordinary items and after preferred dividends	5,448,000	4,953,000	3,028,000
Net earnings per common share	1.35	1.24	.76
Dividends paid per common share	.50	.30	.10

The Company

Laurentide Financial Corporation Ltd. is an integrated sales finance and loan company with its head office in Vancouver, B.C. The Company has a total of 240 branches and over 1,300 employees. Directly and through subsidiaries, it offers throughout Canada a wide range of financial services including the financing of retail, commercial, industrial, real estate, mortgage, lease and wholesale obligations and consumer loans. A subsidiary company offers automobile, fire, and other forms of casualty insurance in certain western states of the United States and in Canada.

Financial

In 1972, finance receivables of all divisions increased and outstandings at year-end stood at \$318 million, representing an increase of \$46 million. After providing for preferred dividends, earnings available for common shareholders amounted to \$1.35 per share compared with \$1.24, before extraordinary items, the previous year.

During 1972 lines of credit with banks in Canada, the United States and Europe were increased by \$31.5 million to \$149,850,000. In addition, the Company continued to develop its borrowings activities in the short term money market and at the year-end commercial paper borrowings were \$79 million compared with \$37 million at December 31, 1971. In December the Company placed in the United States \$12 million twenty-year 8½% collateral trust notes.

The Company's cost of borrowings in 1972, as a percentage of gross income, was virtually unchanged from 1971. Operating expenses increased, reflecting both inflationary pressures and costs connected with the implementation of the new data processing and management information system. Such a system is costly to install; however, it is anticipated that the resulting improvement in productivity will be reflected in the operating results during 1973 and subsequent years.

The Imperial Life Assurance Company of Canada

Head Office: Toronto

Imperial provides financial security for the future.



Financial Highlights

	1972	1971	1970
Premium and other income	\$124,056,000	\$112,936,000	\$ 91,666,000
Policyholder dividends	9,070,000	8,414,000	7,539,000
Net income attributable to shareholders	1,515,000	2,286,000	440,000
Net income per share	7.57	11.43	2.20
Dividends paid per share	2.80	2.55	2.40

The Company

The Imperial Life Assurance Company of Canada marked its 75th Anniversary in 1972. This major insurance company has its corporate headquarters in Toronto, Ontario and has offices and/or representatives in a multitude of cities and towns throughout Canada. It has maintained offices in the Caribbean-West Indies area since early in the century and expanded into Great Britain in 1931 and to the United States in 1967. The Company, through its representatives, provides its many clients with the opportunity of buying life insurance, health and accident protection, annuities and group and individual pension plans. The premiums received from clients are invested in real estate, mortgages and other forms of securities, all of which contribute to the growth of areas serviced by the Company.

As an illustration of the investment policy, in 1972 the Company was instrumental, together with a group of medical doctors, in initiating a \$7.5 million medical complex in Scarborough, Ontario under the name of Medical Inns of Canada Limited. Its purpose is the provision of certain types of diagnostic and health care facilities outside the expensive general hospital environment.

Financial

The Company had a 52% increase in new insurance and annuity sales in 1972. The total of \$713,576,000 includes new records of \$438,761,000 on individual lives and \$274,815,000 of group life insurance and annuities. The new business produced yearly premiums and single premiums totalling \$27,092,000.

Payments to policyholders and beneficiaries during the year were \$52,567,000. This included \$9,070,000 in dividends to holders of participating policies. Death claims amounted to \$13,375,000. The benefit payments exceeded those of 1971 by \$5,575,000.

The total income for the year was \$118,587,000, up from \$108,681,000 in the previous year. The 1972 total was made up of \$83,522,000 in premium income, and \$35,065,000 of net interest, dividends and rents after deduction of all investment expenses.

The total insurance in force increased by \$464.4 million to a total of \$3.8 billion.

The Company's assets and those of its subsidiary companies totalled \$583,994,000 at the year-end — an increase of \$46,524,000. The net rate of interest earned in 1972 was 6.66% before taxes on Canadian investment income, compared with 6.54% in 1971.

During the year several improvements in the scale of policyholder dividends were announced so that an increased level of dividends is now effective in most of the geographic areas in which the Company operates.

The consolidated earnings per share amounted to \$7.57 compared with \$11.43 in 1971. Earnings per share fluctuate widely as they are greatly influenced by rates of mortality and morbidity and in 1972 they were also affected by the acquisition costs associated with the very high level of new business.

The Company

The Investors Group, with head office in Winnipeg, Manitoba, is one of Canada's largest financial institutions. Through its operating subsidiaries it provides a wide range of financial services to individuals and corporations.

Investment contracts are issued and distributed by wholly-owned subsidiaries of the Company to assist Canadians in achieving their personal financial goals. As security for clients' investments, the investment contract companies are required to lodge qualified assets with Government approved custodians.

Shares of the seven Investors mutual funds were held by more than 190,000 Canadians at the end of 1972.

Financial

Total assets managed and administered by the Company and its subsidiaries exceeded \$4.2 billion as at December 31, 1972.

In 1969 The Investors Group acquired a 50.1% interest in The Great-West Life Assurance Company. In September 1972 and early in 1973 the Company increased its interest in Montreal Trust Company from 24% to approximately 51% of the outstanding shares.

The consolidated earnings of the Company increased to \$10.4 million from \$7.7 million in 1971, with all major sources of the Company's income contributing to this improvement.

The general environment for the financial services offered through The Investors Group of companies is expected to continue to be favourable in 1973.



Investors provides thousands of Canadians with a means to grow with Canada.

Financial Highlights

	1972	1971	1970
Consolidated earnings before extraordinary items and preferred dividends	\$ 12,409,000	\$ 9,742,000	\$ 7,839,000
Preferred dividends	2,000,000	2,000,000	2,000,000
Earnings available for common and common Class A shares	10,409,000	7,742,000	5,839,000
Earnings per common and common Class A share	.85	.63	.48
Dividends per common and common Class A share	.40	.40	.40

The Companies

Investors Syndicate Limited is the issuer and distributor of instalment savings plans and single payment annuity certificates. It is the largest investment contract company in Canada and, together with The Western Savings and Loan Association, has assets in excess of \$436 million at December 31, 1972. In addition, the Company distributes the shares of the Investors mutual funds through 39 sales offices located across Canada. The sales force also sells certain life insurance services and annuities underwritten by Great-West Life.

Early in 1973 the first sale of shares of Investors Growth Fund took place in Japan. The entry into Japan and anticipated increased fund sales in West Germany are initial steps in Investors' plans for international expansion.

Investors Securities Management Ltd. provides investment management and supporting accounting and administrative services for the seven Investors mutual funds. As well, it supplies investment advisory services for the security portfolios of The Investors Group and its wholly-owned subsidiaries and for the trustee assets of Investors Group Trust Co. Ltd. Assets under management at December 31, 1972 totalled \$1,467,000,000.

Investors Group Trust Co. Ltd. concentrates on the Canadian pension and deferred profit sharing field. Assets held for pooled trust funds and segregated accounts totalled \$318 million at December 31, 1972.



Investors Syndicate provides sound savings plans.

Financial Highlights

	1972	1971	1970
Certificate assets	\$ 436,655,000	\$ 394,683,000	\$ 373,755,000
Certificate liabilities	389,783,000	350,965,000	329,158,000
Certificates in force — Maturity value	938,922,000	848,463,000	829,191,000
Mutual fund assets	1,112,046,000	1,008,069,000	960,200,000
Pension fund assets	318,070,000	277,846,000	235,650,000

The Company

Great-West Life is a Winnipeg-based company, which started business in 1892 and has, over the past four decades, assumed a position of leadership and respect in the life and health insurance industry. It markets its products and services on an international scale, with more than 170 marketing and service offices throughout Canada and the United States. To serve its two million four hundred thousand policyholders and group certificate holders, there is a field organization of a thousand career agents, six hundred service and management personnel in the field and over twelve hundred in the home office in Winnipeg. The company's wide range of products and services include life insurance, annuities and health insurance for individuals and groups. In Canada, the product line extends to mutual funds of The Investors Group.

Financial

In 1972, Great-West Life enjoyed a year of progress and achievement. Sales of life insurance and annuities reached the new high level of \$2,292,692,000, up 26% and business in force increased to \$16,339,812,000. Health insurance premiums in force, on a gross annual basis, were \$99,562,000.

Net income before policyholder dividends was \$33,033,000. Policyholder dividends amounted to \$20,380,000. Net income attributable to shareholders was \$11,728,000, representing \$5.86 per share. This includes 55¢ per share resulting from the adoption, for 1972 and subsequent years, of the investment year method for allocating investment income.

Premium income increased by 17% in 1972 while favourable mortality experience, particularly on individual insurance policies, a lower claims rate on group health insurance and an improvement in the ratio of expenses to income contributed to the satisfactory results achieved. Net investment income increased by 13% and the net rate of return on investments was 6.34%, compared with 6.03% in 1971.

Benefits and dividends paid to policyholders totalled \$238,473,000.

The Company's assets were \$1,778,390,000 at the end of 1972. Of the total, bonds account for \$543,585,000; mortgages and sale agreements, \$699,857,000; equities, \$265,994,000; and other assets, \$268,954,000.



Great-West provides insurance protection for over 2,400,000 policyholders in North America.

Financial Highlights

	1972	1971	1970
Premium and other income	\$433,197,000	\$370,500,000	\$342,982,000
Policyholder dividends	20,380,000	13,118,000	16,946,000
Net income attributable to shareholders	11,728,000	8,526,000	6,098,000
Net income per share	5.86	4.26	3.05
Dividends paid per share	1.60	1.40	1.35

The Company

Montreal Trust Company with its head office in Montreal, Quebec, is one of Canada's leading trust companies offering a wide range of financially related services to both the public at large and to corporations. These services fall into a number of major categories: Trust (fiduciary) services to individuals such as Executors and Trustees for estates; Savings and Chequing Accounts and Guaranteed Investment Certificates; Investment Management and Safe Custody services; Pooled Investment Funds, including Registered Retirement Savings Plans; Mortgage Financing and Real Estate Sales services and trust services to corporations such as Stock Transfer Agents, Bond Trustees and managers of Employee Benefit Funds.

The quality of service provided by any company depends on its ability to perceive and perform new functions and move ahead with the changing needs of its market. During the past year, Montreal Trust has modified a number of its existing services and introduced several new ones. In particular, the recent association with Pacific International Trust Company

Limited in the New Hebrides will help provide off-shore facilities for corporations and individuals.

Financial

Montreal Trust established new records in earnings, in volume of business and in assets during 1972. Net operating income was \$1.82 per share compared with \$1.50 in 1971, and net income was \$2.03 compared with \$1.54.

Increase in fees and commissions of \$1,763,000 was due to wide-spread growth from trust services and to a large extent from increases in real estate sales.

Income from Guaranteed Trust Accounts increased \$869,000. This was the result of increased mortgage investments and was achieved in spite of narrowing of the spread between interest earned and interest paid.



Montreal Trust provides a wide range of financial services for its many clients.

Financial Highlights

	1972	1971	1970
Revenue	\$ 33,913,000	\$ 30,991,000	\$ 25,624,000
Net operating income	4,574,000	3,671,000	1,620,000
Net operating income per share	1.82	1.50	.66
Dividends declared per share	.80	.70	.55

The Company

Consolidated-Bathurst Limited, with head office in Montreal, Quebec, is one of Canada's major producers of forest products. Newsprint represents about one-third of the Company's sales. During 1972 its five newsprint mills in Quebec produced some 912,000 tons or about 10.5% of Canada's total newsprint output. The Company is also an important producer of pulp, paperboard, kraft paper and lumber.

The Company is a major factor in packaging through its Container, Bag and Plastics Divisions in Canada and its packaging and paperboard operations in Germany.

Raw material for the Company's eight Canadian mills — seven in Quebec, one in New Brunswick — comes from the harvest of 23,000 square miles of timberlands managed by the Company and purchased pulpwood and wood chips. Consolidated-Bathurst has about 13,500 employees and, in addition to its main pulp and paper mills, operates 15 packaging plants and three sawmills in Canada, and eight packaging plants and three paperboard mills in West Germany.

Financial

Sales revenues of \$348.1 million in 1972 came from the following product categories: newsprint, 34%; paperboard and containers, 43%; and kraft paper, bags, pulp and lumber, 23%.

In 1970-71, the forest products industry in general suffered sharply reduced earnings. Consolidated-Bathurst experienced a particularly difficult year in 1971 because of substantial problems associated with its U.S. tissue division and its Bulkley Valley venture in British Columbia. Accordingly, stringent measures were emphasized, including the divestment of unprofitable enterprises, cost and overhead reductions, substantially reduced capital expenditures and the deferment of preferred dividends.

During 1972 the Company completed the divestment program with the sale of its U.S. Tissue Division (Concel Inc.) which accounted for losses of \$3.1 million in 1971 and of \$1.1 million in 1972 prior to divestment. In terms of continuing operations, higher mill operating-to-capacity ratios and improved packaging markets resulted in earnings substantially increased over the prior year and there is reason for optimism in the outlook for the future.



Consolidated-Bathurst paper-making machines produce 10.5% of Canada's newsprint output.

Financial Highlights

	1972	1971	1970
Net sales (Excluding sales of U.S. tissue division in 1972)	\$348,055,000	\$343,362,000	\$353,944,000
Net earnings before extraordinary items	6,496,000	443,000	1,589,000
Net earnings per common share (after deducting preferred dividend requirements)	.55	(.45)	(.26)

Power Corporation's investment in the field of newspapers is represented by an income debenture of Gesca Ltée, which owns all of the shares of La Presse Ltée, as well as 62.2% of the shares of Les Journaux Trans-Canada Ltée. This debenture effectively provides that all earnings and any realized changes in the incremental value in the equity of Gesca accrue to the debenture holder.

In 1972 considerable effort was devoted to the negotiation of labour contracts in the newspaper group, which concluded the long and costly dispute at La Presse and included the successful negotiation of all other major labour agreements relating to Les Journaux Trans-Canada for the next two years.

The operating results of La Presse and Les Journaux Trans-Canada showed a significant improvement over 1971. Such improvement is due to La Presse's steady recovery in circulation and advertising revenues following its post-strike return to publication in February 1972, as well as the continued strong performance of Les Journaux Trans-Canada.

With its renewed growth, the newspaper group will continue to provide its readers with a high quality of information. In this regard, the publisher of La Presse issued a basic statement of policy in December 1972 defining the principles which would guide those responsible for publishing the paper as they seek to provide the public with objective and comprehensive coverage of events.

Future growth prospects for the newspaper group are expected to furnish satisfactory results in the current year.



La Presse, North America's largest French language daily newspaper.

Other Investments

Power has miscellaneous revenue producing investments not referred to in detail in this report. These have a book value of \$25,364,000, of which \$9,993,000 are marketable and had a quoted market value as at December 31, 1972 of \$15,348,000. The balance of \$15,371,000 includes the book value of debentures and mortgages received on the sale of certain assets in prior years.



Board of Directors

**WILBROD BHÉREER, Q.C.	<i>Chairman, Canadian Vickers Limited</i>
**ALFREDO CAMPO	<i>Chairman of the Board, Petrofina Canada Ltd.</i>
**PETER D. CURRY	<i>Chairman of the Board, The Investors Group</i>
LOUIS R. DESMARAIS, C.A.	<i>President and Chief Executive Officer, Canada Steamship Lines, Limited</i>
*PAUL DESMARAIS	<i>Chairman and Chief Executive Officer of the Company</i>
JEAN-PAUL GIGNAC	<i>President, Sidbec</i>
*W. EARLE McLAUGHLIN	<i>Chairman and President, The Royal Bank of Canada</i>
*A. D. NESBITT	<i>Chairman and Chief Executive Officer, Nesbitt, Thomson & Company, Limited</i>
PAUL B. PAINE, Q.C.	<i>Executive Vice-President and General Counsel of the Company</i>
*JEAN PARISIEN, C.A.	<i>President of the Company</i>
CLAUDE PRATTE, Q.C.	<i>Advocate, Letourneau, Stein, Marseille, Bienvenu, Delisle & LaRue</i>
THE HON. JOHN P. ROBARTS, P.C., C.C., Q.C.	<i>Partner, Stikeman, Elliott, Robarts & Bowman</i>
J. M. SEABROOK	<i>Chairman and President, International Utilities Corporation</i>
*ROBERT SCRIVENER	<i>Chairman and Chief Executive Officer, Bell Canada</i>
*P. N. THOMSON	<i>Deputy Chairman of the Company</i>
*W. I. M. TURNER, JR.	<i>President and Chief Executive Officer, Consolidated-Bathurst Limited</i>

Honorary Directors

R. R. MOODIE
JAS. B. WOODYATT

Officers

PAUL DESMARAIS	<i>Chairman and Chief Executive Officer</i>
PETER N. THOMSON	<i>Deputy Chairman</i>
JEAN PARISIEN, C.A.	<i>President</i>
PAUL B. PAINE, Q.C.	<i>Executive Vice-President and General Counsel</i>
W. G. E. LANNAMAN, C.A.	<i>Vice-President and Secretary</i>
A. F. KNOWLES, C.A.	<i>Vice-President and Treasurer</i>
C. BRUNEAU	<i>Vice-President</i>
C. C. FRENETTE	<i>Vice-President</i>
P. M. DE GRANDPRÉ	<i>Vice-President</i>
PAUL E. MARTIN	<i>Vice-President</i>

*Members of the Executive Committee

**Members of the Audit Committee

Head Office

759 Victoria Square, Montreal 126, Quebec

Transfer Agents and Registrars

Montreal Trust Company, Montreal, Toronto, Calgary, Vancouver

Stock Listings

Common Shares

Montreal, Toronto, Vancouver, and London, England Stock Exchanges

Participating Preferred Shares

Canadian Stock Exchange

Convertible Preferred Shares

Montreal and Toronto Stock Exchanges

First Preferred Shares

Montreal and Toronto Stock Exchanges

*Si vous préférez recevoir ce rapport en français, veuillez vous adresser au secrétaire,
Power Corporation of Canada, Limited, 759 Square Victoria, Montréal 126, Québec.*

Investors Syndicate Blazes Mutual Fund Trail in Japan

WINNIPEG — Citizens of Japan will be able to invest in a Canadian mutual fund under an agreement between Investors Syndicate Ltd., and Nikko Securities Co. Ltd. of Tokyo, Japan.

The fund will be the first foreign based mutual fund offered for sale in Japan.

Unique Glass Maker for Dominion Plant

HAMILTON — A unique glass-making machine, especially designed for experimental and development work, has been installed at the Dominion Glass plant here. The unit incorporates the latest in glass-making technology. Its main purpose is to assist company research and development.

Laurentide Finance Forms New Industrial Leasing Co.

VANCOUVER — Formation of North Continent Capital Ltd. (Norco), which will enter the commercial lending and

Nouvelle convention collective à Granby

GRANBY — La direction de l'imprimerie Montréal-Granby Ltée (une filiale des Journaux Trans-Canada) et ses employés, membres de l'Union typographique Jacques Cartier, local 145, affiliée à l'International Typographical Union, ont signé une nouvelle convention collective. Ce programme, "La Formation en cours d'emploi" a été mis en œuvre.

Great-West Reports \$2.2 Billion Sales

WINNIPEG — Record sales of 2.2 billion in insurance and annuities during 1972 by the Great-West Life Assurance Company were announced today.

The new high in sales, a 26% increase over 1971, brings the total value of policies in force past the \$16 billion dollar mark.

The announcement added that "the overall results for the year reflect the buoyant market for the company's services."

Financial Information Centre Opened by Montreal Trust

MONTREAL — Canada's first "walk-in" financial centre has been opened by Montreal Trust as part of its effort "to let people know what we have to offer by way of financial services".

The centre, believed to be the first of its kind in Canada, is located on the plaza level in Place Ville Marie.

There are 13 people in the centre with 25 months to 25 years experience in trust services.

POWER CORPORATION OF CANADA, LIMITED

INTERIM REPORT

June 30, 1972

The consolidated net earnings per participating preferred and common share are 57 cents for the six months ending 30th June 1972 and, after providing for conversion of the 5% convertible preferred shares, are 49 cents per share.

The substantial increase in earnings arises from the very satisfactory level of earnings of the unconsolidated subsidiaries and affiliated companies, together with those of Canada Steamship Lines, Limited. In addition, the provision for income taxes reflects the reduced tax liability for the year arising from the deductibility from taxable income of interest costs incurred on funds borrowed for the acquisition of shares. The Statement of Consolidated Source and Use of Funds reflects a satisfactory increase in working capital resulting essentially from the disposal of our interest in Campeau Corporation Limited.

Gross revenue of Canada Steamship Lines, Limited at \$67,099,000 is up \$8,594,000 principally in the shipbuilding division. Water transportation earnings were lower than expected owing to strikes at customer loading and unloading installations which affected both bulk and package trades. Three of these strikes have continued into August and will affect earnings for the last half of the year. Land transportation division results were modestly improved despite a forty day strike in the Quebec portion of the Voyageur bus system. Value of shipbuilding deliveries was higher and there was a significant improvement in earnings due not only to deliveries but also to the high level of activity in three shipyards.

Consolidated-Bathurst Limited reported net earnings of 12 cents per share in the period compared to a loss of 49 cents per share in the comparative prior period. This improvement in earnings is an encouraging reflection of the efforts of its management to meet the continuing difficulties faced by that company and, indeed, the forest products industry as a whole. Consistent with our prior practice, the earnings of Consolidated-Bathurst are not included in our calculation of consolidated net earnings.

The Board of Directors today declared regular quarterly dividends on the first and second cumulative preferred shares, as well as 7½ cents on the 6% participating preferred shares and 5 cents on the common shares, all in respect of the quarter ending September 30, 1972.

A continuing improvement in earnings is anticipated for the remainder of 1972.

The Directors are pleased to welcome to the Board Messrs. Louis R. Desmarais and John P. Robarts who have been appointed to fill the vacancies created by the resignations of Mr. W. G. E. Lannaman (who had been appointed to fill a vacancy on an interim basis) and of Mr. Arthur Simard who had been a Director since 1961. We wish to express our sincere appreciation for his valued participation in the conduct of the affairs of the Company.

On behalf of the Board

Paul Desmarais

Chairman and

Chief Executive Officer

Jean Parisien

President

Montreal,
August 28, 1972

STATEMENT OF CONSOLIDATED NET EARNINGS
for the six months ended June 30, 1972 and 1971 (unaudited)

	1972	(in thousands)	1971*
Gross revenue from operations	\$67,099		\$58,505
Earnings from operations	11,998		10,186
Income from investments	1,558		906
	<u>13,556</u>		<u>11,092</u>
Interest on long term debt	\$3,355	\$1,514	
Provision for depreciation	<u>5,375</u>	<u>8,730</u>	<u>5,064</u>
		4,826	4,514
Provision for income tax		880	2,614
		<u>3,946</u>	<u>1,900</u>
Share of earnings of unconsolidated subsidiaries and affiliated companies	4,621		3,516
Consolidated earnings for the six months	<u>8,567</u>		<u>5,416</u>
Minority interest in earnings of Canada Steamship Lines, Limited	—	1,700	
Preferred dividends of consolidated subsidiaries	227	227	
Non-participating preferred dividends	<u>1,914</u>	<u>2,141</u>	<u>1,914</u>
Consolidated net earnings for the six months	<u>\$ 6,426</u>		<u>\$ 1,575</u>
Earnings per 6% participating preferred and common share			
Primary	<u>57¢</u>		<u>14¢</u>
Diluted	<u>49¢</u>		<u>n/a</u>

STATEMENT OF CONSOLIDATED SOURCE AND USE OF FUNDS
for the six months ended June 30, 1972 and 1971 (unaudited)

	1972	1971*
	(in thousands)	
SOURCE OF FUNDS		
Consolidated earnings for the six months	\$ 8,567	\$ 5,416
Depreciation	5,375	5,064
Deferred income tax	(268)	649
Other items	(198)	—
Earnings not received in cash	<u>(3,359)</u>	<u>(933)</u>
	10,117	10,196
Proceeds from disposal of fixed assets	765	561
Proceeds from disposal of securities	30,494	5,925
Proceeds from issue of capital stock	46	163
Payments on account of stock purchase plan	70	—
Miscellaneous	<u>—</u>	<u>136</u>
	41,492	16,981
USE OF FUNDS		
Additions to fixed assets	15,484	6,814
Reduction of long term debt (net)	9,495	953
Dividends	<u>3,342</u>	<u>3,562</u>
	28,321	11,329
Increase in working capital	<u>\$13,171</u>	<u>\$ 5,652</u>

*Restated to reflect the consolidation of Canada Steamship Lines, Limited.

ÉTAT DU BÉNÉFICE NET CONSOLIDÉ

pour les semestres terminés les 30 juin 1972 et 1971 (non-vérifié)

	1972	1971*	(en milliers)
Revenus bruts d'exploitation	\$67,099	\$58,505	
Bénéfice d'exploitation	11,998	10,186	
Revenus des placements	1,558	906	
Intérêts sur la dette à long terme	\$3,355	11,092	
Provision pour amortissement	5,375	6,578	
Provision pour impôts sur le revenu	4,826	4,514	
	880	2,614	
Part des bénéfices des filiales	3,946	1,900	
Part des bénéfices des filiales non consolidées et des compagnies affiliées	4,621	3,516	
Bénéfice consolidé du semestre	8,567	5,416	
Participation minoritaire dans le bénéfice de Canada Steamship Lines, Limited	—	1,700	
Dividendes privilégiés des filiales consolidées	227	227	
Dividendes sur les actions privilégiées non participantes	1,914	3,841	
Bénéfice net consolidé du semestre	\$ 6,426	\$ 1,575	
Bénéfice par action privilégiée participante, 6%, et par action ordinaire	57¢	14¢	
Par action en circulation	49¢	n/a	

ÉTAT DE LA PROVENANCE ET DE L'UTILISATION CONSOLIDÉES DES FONDS

pour les semestres terminés les 30 juin 1972 et 1971 (non-vérifié)

	1972	1971*	(en milliers)
PROVENANCE DES FONDs			
Bénéfice consolidé du semestre	\$ 8,567	\$ 5,416	
Amortissement	5,375	5,064	
Impôts sur le revenu reportés	(268)	649	
Autres items	(198)	—	
Bénéfices hors caisse	(3,359)	(933)	
Produit de la disposition d'immobilisations	10,117	10,196	
Produit de la disposition de titres	765	561	
Produit de l'émission d'actions	30,494	5,925	
Paielements au titre du plan d'achat d'actions	46	163	
Divers	70	—	
UTILISATION DES FONDs			
Acquisition d'immobilisations	15,484	6,814	
Diminution de la dette à long terme (nette)	9,495	953	
Dividendes	3,342	3,562	
Augmentation du fonds de roulement	\$13,171	\$ 5,652	

*Repris pour tenir compte de la consolidation de Canada Steamship Lines, Limited.

POWER CORPORATION OF CANADA, LIMITED

RAPPORT INTÉRIMAIRE

30 juin 1972

Le bénéfice net consolidé est de 57 cents par action privilégiée participante et par action ordinaire pour le semestre terminé le 30 juin 1972, et de 49 cents par action si l'on tient compte de la conversion des actions privilégiées convertibles, 5%.

L'accroissement sensible du bénéfice résulte du niveau très satisfaisant des bénéfices réalisés par les filiales non consolidées et les compagnies affiliées, ainsi que par Canada Steamship Lines, Limited. De plus, la provision pour impôts sur le revenu reflète la diminution de la charge fiscale pour l'année, consecutive à la possibilité de déduire du revenu imposable les frais d'intérêts engagés sur les emprunts destinés à l'acquisition d'actions. L'état de la provenance et de l'utilisation consolidées des fonds fait ressortir une augmentation satisfaisante du fonds de roulement provenant principalement de la disposition de notre participation dans Campeau Corporation Limited.

Les revenus bruts de Canada Steamship Lines, Limited furent de \$67,099,000, soit une augmentation de \$8,594,000 due principalement à la division des chantiers maritimes. Les bénéfices du transport maritime furent moindres que prévus principalement à cause de grèves aux installations de chargement et de déchargement de nos clients qui ont affecté le commerce en vrac et de messagerie. Trois de ces grèves se sont poursuivies jusqu'en août et affecteront les bénéfices du deuxième semestre de l'année. Les résultats de la division du transport routier se sont légèrement améliorés malgré une grève de quarante jours dans la section du Québec d'autobus Voyageur. La valeur des livraisons des chantiers maritimes fut plus élevée et il y a eu une amélioration importante des bénéfices due non seulement aux livraisons mais aussi au niveau élevé d'activité dans les trois chantiers.

Consolidated-Bathurst Limited a réalisé un bénéfice net de 12 cents par action pour la période comparative à une perte de 49 cents par action pour la même période de l'année précédente. Cette amélioration du bénéfice reflète de façon très encourageante les efforts de la direction de cette société pour surmonter les difficultés continues auxquelles elle devait faire face, et auxquelles se heurtaient d'ailleurs toute l'industrie forestière. Conformément à la pratique que nous avons adoptée dans le passé, le bénéfice de Consolidated-Bathurst n'est pas inclus dans le calcul de notre bénéfice net consolidé.

Le Conseil d'administration a déclaré aujourd'hui le dividende trimestriel ordinaire sur les actions privilégiées de premier et de second rangs, ainsi qu'un dividende de 7½ cents sur les actions privilégiées participantes, 6%, et de 5 cents sur les actions ordinaires, dividendes qui se rapportent tous au trimestre se terminant le 30 septembre 1972.

Une amélioration continue du bénéfice est prévue pour la seconde moitié de 1972.

Les administrateurs sont heureux d'accueillir parmi eux messieurs Louis R. Desmarais et John P. Robarts qui ont été élus aux postes devenus vacants à la suite de la démission de M. W. G. F. Lannaman (qui avait été élu pour un intérim) et de M. Arthur Simard qui était administrateur depuis 1961. Nous tenons à exprimer notre sincère gratitude à M. Simard pour sa précieuse collaboration à la conduite des affaires de la Compagnie.

Au nom du Conseil

Paul Desmarais

Président du conseil et

Président

Jean Parisien

directeur général

Montréal,
le 28 août 1972